September 7, 2021 Via E-Mail

Ms. Christine Long, Registrar

Ontario Energy Board

**Re: Written Submission by Individual Intervenor to the Ontario Energy Board re: Implementing the Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class: File Number: EB-2020-0246**

I am an individual intervenor, one of the 36,224 lowest volume (i.e. under 150 kWh monthly) seasonal class consumers according to Hydro One’s Interrogatory Responses dated August 17, 2021, (i.e. the Exhibit) at I-07-06, that are destined for the residential low density (R2) class. In the comments that follow, I generally refer to the data supplied by Hydro One associated with a seasonal customer at an average hydro consumption of 50 kWh per month, since this is the situation closest to my own amongst the various data sets provided.

Also, I do not represent any interest group, organization or association in this matter. The comments that follow are respectfully submitted for consideration by the Ontario Energy Board (the OEB) within the parameters that are in scope as outlined in OEB Procedural Order No. 2, dated May 26, 2021.

**Another perspective on the numbers**

In February 2021, Hydro One mailed a customized letter (i.e. the Hydro One Notice) to its seasonal customers which provided information on the customer specific impacts from the planned elimination of the seasonal rate. The Notice would lead a recipient to conclude that at a monthly hydro consumption level of 50 kWh, such a customer moving to the R2 class could expect to see either an estimated 100%, or a 112%, increase from 2022 as the baseline year in her/his total hydro bill prior to any rate mitigation measures, depending on one’s reading of the Notice. The Updated 2019 Seasonal Report (i.e. the 2020 Report) submitted by Hydro One on October 15, 2020, reflects identical percentages in Table 10.

With the information provided in Exhibit I-02-01, parts a) and b), total distribution charges for that low consumption (at 50 kWh monthly) seasonal customer now destined for the residential low density (R2) class were $32.44 in 2015, are currently $52.93 in 2021, and will eventually top out at an estimated $131.66, once fully transitioned. From its current 2021 level, that amounts to a further 148% increase in the distribution charge component of a hydro bill that are yet to come for these customers.

In part c) of that Exhibit, Hydro One states that it is:

*… a customer’s total bill, which Hydro One believes to be most relevant given that all residential customer bills in Ontario, including those of seasonal customers, are subject to the Ontario Energy Rebate*.

It would indeed seem most reasonable that the vast majority of the low volume hydro consumers destined for the R2 class would clearly and simply want to know how much their total hydro bill is going to change from what they currently pay, rather than a future baseline starting in 2022.

On that premise and extracting information from updated Tables 8 and 10 at Exhibit I-05-01, part f), that low volume seasonal customer’s monthly total hydro bill in 2021 is currently set at $50.11, but will eventually climb to an estimated $115.63 monthly, amounting to a 130% increase due apparently to the combined impacts of the transition changes yet to be made in moving to all-fixed distribution rates as well as elimination of the seasonal class.

In a footnote added at Exhibit I-02-01, part a), Hydro One advises that:

*The total bill is lower than the distribution charge because of the inclusion of Ontario Energy Rebate in place at time of this report was prepared (which reduces the total bill, before taxes, by 31.8%). Note: Underlining to the quote here has been added.*

I’m sure I speak on behalf of most hydro consumers in saying that it is certainly hoped that the Ontario Energy Rebate which was introduced in November 2019 providing relief for hydro consumers is still in effect as the impacts from eliminating the seasonal class unfold.

It is noted that the increases to the distribution charges component that is coming to hydro bills does not as yet include any additional increases that would also arise from the following:

* With such significant hydro bill increases coming, one would expect – especially for low volume seasonal R2 consumers – that it would act as an incentive and accelerate the number of current customers deciding to go “off-grid” whether through solar, propane or other means, and strand additional Hydro One assets. This point has been raised by many different and diverse parties starting as early as the June 10, 2015, stakeholder consultation referred to in Appendix A of the 2020 Report through to reference in numerous letters of comment received by the Ontario Energy Board (i.e. the OEB) in this matter since the direct mailout of the Hydro One Notice to its seasonal customers in February 2021.

When asked about this at Exhibit I-02-01, part d), Hydro One confirmed that:

*No, the impact of seasonal customers potentially going “off-grid” has not been factored into any potential rate increases. Hydro One does not have any research or estimates on the number of customers that could go off-grid and potentially cancel their service as a result of the increases to seasonal-R2 customer bills. Hydro One does not have an estimate of how this would impact future distribution rates, but does note that any impacts would affect all customers, not just seasonal-R2 customers*.

Interestingly enough, it does however state at Exhibit I-03-12, that:

“*Hydro One also expects to see an increase in customer enquiries about self-generation and disconnection from the grid*.”

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* Secondly, one would also expect payment defaults to rise, and with them, increases in Hydro One initiated service disconnects. If no such disconnects were to occur in future per policy (ie due to the Covid-19 pandemic) or otherwise due to government or other direction, subsidization of such defaulted payments would appear to be required. The result would either be a further reduction in customers with additional abandoned Hydro One assets or an added cost burden on the residential low density (R2) class including the seasonal customers moved there.

At Exhibit I-02-01, part e), Hydro One once again confirmed that:

*No, the impact of a rise in payment defaults or service disconnects has not been factored into any potential rate increases. Hydro One does not have any analysis of the impact on payment defaults resulting from the increase in seasonal-R2 electricity bills. Hydro One does not have an estimate of how this would impact future distribution rates, but does note that any impacts would affect all R2 customers, not just seasonal-R2 customers.*

* Thirdly, ongoing or generalized inflationary hydro rate increases (ie.in the non-distribution charge components) could also be expected in the years ahead that would further add to the financial burden faced by hydro customers, but in particular for the low volume seasonal customers destined for the R2 class. From page 49 of the Feedback section from the June 10, 2015, stakeholder session found in Appendix A of the 2020 Report, the following comments from a representative of Energy Probe are germane to the issue:

*I understand Hydro One is eliminating the seasonal rate class at the request of the Board, but it needs to fully detail to the Board how much of an impact it will have on ratepayers’ bills when combined with the fixed charge proposal. Furthermore, Hydro One should also detail the impact of those charges when combined with – at the minimum – inflationary increases in other components of the bill.*

Similar thoughts are found on page 4 of the same Appendix A from the stakeholder summary notes from a representative of the Vulnerable Energy Consumers Coalition (VECC) as follows:

*Hydro One needs to be clear about its interpretation of the 10% stipulated by the Ontario Energy Board – whether just looking at the impact of eliminating the Seasonal class or all factors … impacting rates.*

When asked about this issue, Hydro One stated at Exhibit I-02-01, part f), that:

*Hydro One has provided bill impacts in accordance with the OEB’s Chapter 2 Filing Requirements for electricity distribution cost of service rate applications (Section 2.8.12), which require that bill impacts be calculated assuming commodity and regulatory charges remain constant. Hydro One does not have any projections of total bill impacts assuming inflationary increases in the other components of the bill. .*

In summary, low volume seasonal customers destined for the R2 residential class - already facing the largest increases in their future hydro bills - face the additional uncertainty of how much more their hydro bills may well increase in the years ahead due to the unquantified financial impact of each of these three items.

**Communications**

Many sources have identified the need for clear and effective communication of the OEB’s decision to eliminate the seasonal class, some now dating back several years as indicated by the following:

* At page 21 of the Consumers Council of Canada (CCC) submission to the OEB on October 16, 2014, it was stated that:

*One of the problems Hydro One has encountered are complaints from Seasonal customers that they do not understand how their rates are structured and the fact that fixed costs do not vary with consumption. Hydro One should be encouraged to undertake more comprehensive customer education regarding these issues.*

* And from page 4 of the Feedback Summary notes of the June 10, 2015, stakeholder session found in Appendix A of the 2020 Hydro Report, the CCC further reiterated that:

*No matter which option is implemented, effectively communicating the elimination of the Seasonal Rate Class to customers presents an enormous challenge. It would be useful to start communicating this change to customers now.*

* Similarly, at page 49 of that Appendix, Feedback from Energy Probe’s submission asked:

A*nd finally, will Hydro One present a detailed plan on how they will explain these changes to effected customers? It’s no secret that bill increases are the number one concern among ratepayers. Under this proposal, a significant number of ratepayers will experience near double digit bill increases or more in the years to come – and that’s not considering other components of the bill that are also expected to increase. Is Hydro One preparing a detailed program to deal with how customers will react to these changes?*

* And more recently, the Federation of Ontario Cottagers’ Associations (FOCA) commented on the overall status of communications by assessing the landscape and summarizing their thoughts in their May 27, 2020, letter to the OEB stating that:

*The multitude of rate changes within the past few years has meant that almost no one understands the bill system and how and why we got to this point.*

Clear, concise, and easy to understand materials make for effective communications. This will be of paramount importance going forward with better communications for hydro customers that cover both the OEB’s past, as well as its further decision(s) yet to come in implementing of the elimination of the seasonal class. There are 2 critical points in particular that, in the writer’s view should be kept top of mind in developing a future communications strategy.

1. Vastly Different Bills Amongst Neighbours

In addition to the Ontario Energy Rebate program currently in effect broadly, the Rural and Remote Electricity Rate Protection (RRRP) and the Distribution Rate Protection (DRP) programs have a profound impact on the total hydro bills of distinct Hydro One customers.

FOCA stated in its letter of June 19, 2015, found at page 52 of Appendix A to the 2020 Hydro One Report with regards to the stakeholder consultations that:

*.. .there will be many situations where reassigned Seasonals will have close neighbours, family and friends with the alternate reclassification and significantly different bill ramifications; and ... there may be a lake where one shoreline has a customer density of 14 per kilometre of circuit and the other side has 16 per kilometre… (which) … results in profound bill differences of similar customers.*

Head-to-head comparisons of Hydro One customers in different classes were found in the May 15, 2020, submission by Hydro One in reply to the OEB’s Procedural Order No. 3. The calculations provided in Tables 3 and 4 therein found at pages 8 and 9, (reproduced below for convenience) provided details at that time forecasting the total 2021 hydro bill calculations of the various residential groups, assuming the elimination of the seasonal rate class was in effect.

##  **Table 3: Comparison of 2021 Charges for R2 Residential Customers Assuming**

**Elimination of Seasonal Class**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Customers | Monthly Consumption (kWh) | Without RRRP or DRP | With RRRP | With RRRP and DRP |
| Dx Charges | Total Bill | Dx Charges | Total Bill | Dx Charges | Total Bill |
| Year-round R2 | 50 | $106.92 | $118.92 | $46.42 | $55.40 | $36.86 | $45.36 |
| 350 | $114.21 | $161.36 | $53.71 | $97.84 | $36.86 | $80.15 |
| 1000 | $130.00 | $253.33 | $69.50 | $189.80 | $36.86 | $155.53 |
| R2-Seasonal | 50 | $106.92 | $118.92 | $106.92 | $118.92 | $106.92 | $118.92 |
| 350 | $114.21 | $161.36 | $114.21 | $161.36 | $114.21 | $161.36 |
| 1000 | $130.00 | $253.33 | $130.00 | $253.33 | $130.00 | $253.33 |
| % Increase for Seasonal vs year-round customers | 50 | 0% | 0% | 130% | 115% | 190% | 162% |
| 350 | 0% | 0% | 113% | 65% | 210% | 101% |
| 1000 | 0% | 0% | 87% | 33% | 253% | 63% |

**Table 4. Comparison of 2021 Charges for R1 Residential Customers Assuming Elimination of Seasonal Class**

|  |  |  |  |
| --- | --- | --- | --- |
| Customers | Monthly Consumption (kWh) | Without DRP | With DRP |
| Dx Charges | Total Bill | Dx Charges | Total Bill |
| Year-round R1 | 50 | $46.94 | $55.85 | $36.86 | $45.27 |
| 350 | $51.32 | $94.67 | $36.86 | $79.48 |
| 1000 | $60.81 | $178.76 | $36.86 | $153.62 |
| R1-Seasonal | 50 | $46.94 | $55.85 | $46.94 | $55.85 |
| 350 | $51.32 | $94.67 | $51.32 | $94.67 |
| 1000 | $60.81 | $178.76 | $60.81 | $178.76 |
| % Increase for Seasonal vs year-round customers | 50 | 0% | 0% | 27% | 23% |
| 350 | 0% | 0% | 39% | 19% |
| 1000 | 0% | 0% | 65% | 16% |

In my interrogatory of June 25, 2021, asking for updated information on these tables and a request for similar ones for 2022 to 2024, I was referred to Exhibit L-06-01 of Hydro One’s 2023 to 2027 Rate Application (EB-2021-0110, filed on August 5, 2021) which apparently assumes a 2023 implementation. Unfortunately, Exhibit L-06-01 did not contain information in a format similar to the above, as different consumption levels were used in those tables. As such, I refer to the available data in Tables 3 and 4 above in my comments to follow. While these amounts stand to be adjusted with more current information, those adjustments would not likely be of material consequence to the main point here.

As the heading suggests, this data was prepared on the assumption that the elimination of the seasonal class was already in effect in 2021. On that basis, a low consumption residential customer at 50 kWh monthly would pay the following each month depending on their classification:

 Year-round R1 (medium density) class: ie. neighbour nearby $ 45.27

 R1 – Seasonal: ie another neighbour nearby $ 55.85

 Year-round R2 (low density) class: ie immediate neighbour $ 45.36

 R2 – Seasonal $ 118.92

The seasonal customer moving to the R2 low density class would end up with a monthly hydro bill that is 113% higher than her/his R1 counterpart, and 162% higher than his/her year-round counterpart in either the R1 or R2 class. Once the seasonal class elimination is fully transitioned, this would amount to the R2 seasonal customer paying over $7,500 more over ten years than her/his R1 seasonal counterpart (i.e. his/her neighbour nearby), and over $8,800 more over ten years than his/her year-round counterpart in either the R1 or R2 class (her/his immediate neighbour).

At the medium level consumption example provided in Hydro One’s tables above, the results are not as stark but residential customers at 350 kWh monthly would still see substantial differences in the amount they would pay each month depending on their classification status as detailed below:

 Year-round R1 (medium density) class: ie. neighbour nearby $ 79.48

 R1 – Seasonal: ie another neighbour nearby $ 94.67

 Year-round R2 (low density) class: ie immediate neighbour $ 80.15

 R2 – Seasonal $ 161.36

The OEB has made it very clear that the 2 programs responsible for this wide difference in end-results stem from factors beyond their scope. At page 16 of the OEB’s Decision and Order (the Order) in this matter dated September 17, 2020, it is stated that:

*As with RRRP, eligibility for relief under the DRP is provided for by provincial regulation and is not within the OEB’s mandate.*

Be that as it may, it’s hard to envisage an effective communications strategy that doesn’t directly deal with and address these important components in the determination of the vastly different hydro bills that will emerge upon full implementation for different classes of residential hydro customers.

2. Diverse Views by the Parties

One of the difficulties in communications going forward involves the complexity of the subject matter, but that is certainly enhanced substantially by:

* the extensive diversity of views advanced to date in this matter by the various parties including many of the earlier intervenors
* the lack of a consensus amongst key participants, and
* opposition to the OEB’s decision including those who originally advocated and supported changes to the seasonal rate class but subsequently reversed their position on the 2015 decision that the OEB had reached.

Reading through pages 8 to 13 of the OEB’s Order, it is a most challenging task for a non-technical person to reconcile the various positions and arguments advanced in this matter by the likes of Hydro One, the OEB staff, FOCA, CCC, and BLC, as summarized by the OEB on those pages. Frankly, this leaves one confused at the end of the day about the OEB’s rationale for its decision to eliminate the seasonal class.

On page 8 of the OEB’s Order, Hydro One’s position is summarized by the OEB as follows:

*Hydro One submitted that the seasonal class customers should be maintained in their own rate class and that their distribution rates should continue the transition to a fully fixed charge, in accordance with the existing schedule approved by the OEB.*

 and

*… this approach should be adopted because it fully addresses the concerns identified in the 2015 Decision, which were the disparity in costs paid by high and low volume seasonal customers and ensuring that seasonal customers’ rates reflect cost causality.*

Additionally, on page 9 of the Order, the OEB staff view is summarized as follows:

*OEB staff argued that when the impacts of the move to all-fixed rates are considered, it becomes apparent that the incremental benefits of the elimination of the seasonal class are minimal at best …”*

And finally at page 12 of the Order, the OEB reported that:

*Hydro One further noted that the submissions from BLC, OEB staff, CCC and FOCA had all agreed that, on the merits, the OEB should grant Hydro One’s request that the 2015 Decision be reviewed and revised.*

The OEB has made it abundantly clear on page 4 of Procedural Order No. 2 dated May 26, 2021, that:

*The OEB wishes to make clear once again that the purpose of this proceeding is not to revisit the elimination of the seasonal rates class. That decision has been made and will not be revisited in the current proceeding.*

In the writer’s view, it is most unfortunate that the communications to date in this matter with seasonal customers by Hydro One, whether OEB ordered or otherwise, as detailed in Exhibit I-02-03, part a), have been lacking – both in their frequency and scope. This point should be evident when one looks at the volume and the nature of the comments submitted in the Letters of Comment that the OEB has received this past winter and spring following the issuance of the customized direct mail in February 2021 to seasonal customers in the Hydro One Notice.

Reviewing the detailed list of communications at the referenced Exhibit, the only communication the writer would have received in the past five years of seasonal property ownership would have been the bill insert/customer newsletters in the Winter/Spring 2017 until the time of receipt of the Hydro One Notice earlier this year. That totals one direct communication in 4 years prior to February 2021. While Hydro One states that articles were also published, these were often less than clear or rather incomplete.

As outlined in Exhibit 1-02-03, parts b) and d), Hydro One’s proposed communications strategy going forward would focus efforts essentially on detailing the “what, how and when” of the decision reached by the OEB in this matter, but critically not on the “why”. With all due respect, proceeding on that basis is most unlikely to be received well by seasonal class customers.

A much broader communications strategy needs to be developed, one where answers to the questions about “why” can also be addressed and answered. This will be of critical importance given both the vast disparity that different residential classes will eventually pay for hydro as well as the wide diversity of views in this matter as summarized in the OEB’s Order. In addition to the “what, how, and when”, consumers want to better understand the “why” of the OEB decision, and on that point there has been too little attention paid in the communications materials to date.

**Mitigation**

In the OEB’s Order, it was encouraging to read at page 7 that: “… *the OEB wishes to mitigate any large impacts to seasonal customers.”* AndHydro One takes a stronger view on this stating that: “…*mitigation will be necessary in any case to limit bill impacts to no more than 10% for seasonal-R2 customers.”* (Exhibit I-01-01, part c). Hydro One has also presented a strong and convincing case against any retroactive application at Exhibit I-01-23. The writer fully supports Hydro One’s perspective on both of these points.

The mitigation options proposed to date by Hydro One however do pose difficulties and challenges as follows:

* While the Hydro One Report and other related materials routinely state and refer to capping customers’ total hydro bill increases to 10% under Options 1 and 2A, it would appear that this 10% cap would only apply to the distribution-related items on a bill.

Exhibit I-05-11, part a), states that the changes that will be included in the year-over-year bill impact calculations for purposes of determining the 10% bill impact pertain to the distribution and transmission components of the total bill, but do not include the commodity (energy), regulatory, taxes and rebates/subsidies components of the total bill.

Exhibit I-04-44 contains the following comments:

*Hydro One notes that the updated Seasonal Report provides bill impacts in accordance with Section 2.8.13 of the OEB’s Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, which require that total bill impacts be calculated assuming commodity and regulatory charges remain constant. Hydro One does not have any projections of total bill impacts assuming inflationary increases in the other non-distribution related components of the bill*.

Additionally at Exhibit I-02-04, part b), Hydro One has stated that:

*The 10% cap will take into account all distribution-related items, including Retail Transmission Service Charges. Hydro One has no control over any non-distribution rate changes in hydro bills. Hence, Hydro One is not able to derive a mitigation plan that includes these non-distribution rate changes. This approach is consistent with the OEB’s Filing Requirements*…

* Using the immediately prior year’s cost for calculating the 10% cap results in subsequent years’ bill increases that will in fact be at least 11% in year two, 12.1% in year three, 13.3% in year four etc. of the “base year” amount. Use of a “rolling” 10% threshold based on the immediately prior year’s distribution rate charges would guarantee that subsequent years’ increases will exceed 10% of the base year amount and will continue to grow in dollar terms year over year.

Put another way, Hydro One confirmed in Exhibit I-03-08 that the similar comments below from the Tasso, Toad, Camp and Blue Lakes Association were indeed correct:

…*capping a rate increase cost for any given customer at no more than 10% above the previous year’s cost will lead to a compounding effect where the actual costs will increase more than 20% above the base price after the second year, and compound each year thereafter.*

* Under Hydro One’s Option 1, customers with consumption lower than the midpoint within the consumption band would also see impacts greater than 10%. Hydro One stated at Exhibit I-01-18, part a), that they:

*…calculated the total bill impacts at the lower boundary of every consumption band (for example, at 0kWh for 0-50kWh consumption band) and the largest total bill impact observed, with the mitigation credit, was 12%.*

* At Exhibit I-01-14, part a), Hydro One has confirmed as well that under their Option 2A:

*Approximately 17% of total seasonal customers moving to the R2 class will see bill impacts higher than 10% under mitigation Option 2A. The largest bill increase is estimated to be 13% for customers with monthly consumption of 0 kWh.*

When presented with an alternative approach in my interrogatories that would cap the annual increase to a set percentage of the “base year” amount for each subsequent year through the transition period, Hydro One stated at Exhibit I-02-04, part c) that it had not considered such an approach because it would be inconsistent with the mitigation requirements defined by the OEB’s Filing Requirements.

It is indeed curious that Hydro One has not advanced a mitigation option similar to the one used earlier for the fully-fixed rates implementation for residential class customers. Hydro One has indicated in Exhibit I-01-16, part b), that :

*It is not unprecedented for the Board to deviate from its filing requirements, where conditions warrant it. As an example, during the transition to fully-fixed rates for residential class customers the Board indicated that they expected distributors to implement the change in equal increments over a four-year period while limiting the increase in the monthly service charge to no more than $4 per year in order to effect this change.*

*… the OEB noted that for the R2 customer class, the transition period required to achieve a $4 annual fixed rate increase would be 15 years, and they found 15 years to be an unreasonable time period to transition to fully fixed rates for this customer class. Accordingly they directed Hydro One to transition the R2 class over an eight year period, even though the $ impacts were in excess of the $4 amount prescribed in the filing requirements.*

It would be preferable, in the writer’s view, to have a mitigation approach that uses a set “baseline amount” (whether at a fixed dollar level or through a percentage of the base year amount) that stays constant throughout the transition period to give consumers an additional degree of certainty and clarity around their future hydro bill increases, while also simplifying those critical future communications with its affected customers. As outlined earlier, communications going forward should be of paramount importance give the widespread consumer dissatisfaction and a widespread lack of understanding surrounding the OEB’s decision(s) to date in this matter. The letters of comment the OEB has received since February 2021 emphatically underscore that.

Given the very substantial hydro bill increases coming for R2 seasonal customers and within the parameters set for this proceeding , it would be most reasonable in the writer’s view for the OEB to provide for a minimum of a 12 year transition period, for the reasons set out below:

* Given Hydro One’s comments in its various Responses about its past experience with mitigation and phase-in approaches, the remaining steps in the move to fixed distribution rates combined with the elimination of the seasonal class will be amongst, if not the largest hydro price increase experiences for a customer group to date; at Exhibit I-03-01, Hydro One cites a previous transition where some of the acquired utility customers experienced total bill impacts of up to only 36%; the hydro bill increases faced here by low volume customers will be multiples of that.
* There is some suggestion in Hydro One’s Responses that prior transition plans used “total bill” impacts to mitigate, wherein Hydro One indicates that only “distribution related” impacts are mitigated under its current options for the seasonal class elimination
* Inflationary and cost increases in other “non-distribution” line items are not factored in
* The lowest volume hydro consumers moving to the R2 class will have a more reasonable and smoother transition path given the large dollar increases forecast
* Additional flexibility would be implicitly taken into account for further changes to distribution charges resulting from consumers going “off-grid” as well as for future payment delinquencies, neither of which has Hydro One any estimates for at this time
* A 12-year phase-in is identical with what was proposed in Option 2A in the Report, even though Hydro One has now revised that phase-in period to 10 years per Exhibit I-01-08.

Thank you for providing the opportunity to provide these written comments. If any clarification is required, please advise.

Richard Gruchala

Copies to: Henry Andre, Director, Hydro One Networks Inc.

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EB-2020-0246 Intervenors